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THE PERSIAN GULF: ARE WE COMMITTED? AT WHAT COST?

A DIALOGUE WITH THE REAGAN ADMINISTRATION ON U.S. POLICY

PREPARED FOR THE USE OF THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

WITH THE ASSISTANCE OF THE
CONGRESSIONAL RESEARCH SERVICE

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LETTERS OF TRANSMITTAL

DECEMBER 14, 1981.

To the Members of the Joint Economic Committee:

I transmit a document entitled "The Persian Gulf: Are We Committed? At What Cost?", which consists of a series of ten questions concerning the nature of the Reagan Administration's policy in the Persian Gulf and the response to these questions by the Department of Defense and Department of State. Each question is followed by a background discussion prepared at the request of the Joint Economic Committee by the Congressional Research Service and each answer is followed by a CRS commentary which is formulated, as requested, to highlight ambiguities and to identify further issues raised by the Administration's answers. The Committee wishes to thank the Departments of Defense and State for providing timely and responsive answers to the questions which were provided to them.

This document greatly clarifies the emerging policy of the Reagan Administration toward the Persian Gulf and will help members of the Committee, of the Congress at large, and of the general public to identify those issues which need further clarification, and, eventually, Congressional debate.

Included in this document is a letter from the Assistant Secretary of State for Near Eastern and South Asian Affairs, dated October 31, 1981, containing the Department's clarifying comments on U.S. commitments in the Persian Gulf.

It should be understood that the views expressed in this document do not necessarily represent the views of the Joint Economic Committee or of individual members.

Sincerely,

HENRY S. REUSS,
Chairman, Joint Economic Committee.

DECEMBER 8, 1981.

Hon. HENRY S. REUSS,
Chairman, Joint Economic Committee,
Congress of the United States,
Washington, D.C.

DEAR MR. CHAIRMAN: I am pleased to transmit a document entitled "The Persian Gulf: Are We Committed? At What Cost?" This document was prepared for the use of the Joint Economic Committee with the assistance of the Congressional Research Service. The project was coordinated in CRS by Stanley R. Sloan, Specialist in U.S. Alliance Relations. Project participants included: John P.

Hardt, Senior Specialist in Soviet Economics; John M. Collins, Senior Specialist in National Defense; James P. Wootten, Specialist in National Defense; Richard M. Preece, Specialist in Middle Eastern Affairs; Richard F. Grimmett, Specialist in National Defense; Robert D. Shuey, Specialist in National Defense; Clyde R. Mark, Specialist in Middle Eastern Affairs; Alva M. Bowen, Jr., Specialist in National Defense; John Joseph Stocker, Analyst in National Defense; Gary Pagliano, Analyst in Energy Policy, and Charlotte Phillips Preece, Analyst in West European Affairs.

The study was supervised for the Committee by Richard F. Kaufman, Assistant Director/General Counsel.

Included in this document is a letter from the Assistant Secretary of State for Near Eastern and South Asian Affairs, dated October 31, 1981, containing the Department's clarifying comments on U.S. commitments in the Persian Gulf.

Sincerely,

JAMES K. GALBRAITH,
Executive Director, Joint Economic Committee.

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INTRODUCTION

By Chairman Henry S. Reuss

If the Reagan Administration has a plan for the Persian Gulf, that plan is not yet fully formulated; nor has it been presented in detail to the Congress. But this much is clear: the Administration has decided that the United States must develop the military capability to repel a full-scale Soviet invasion of the Persian Gulf oil fields, without significant assistance either from our allies or from the states in the Gulf region itself. This is a capability which we do not now have, and which vastly exceeds the existing or projected strength of the Rapid Deployment Force.

The Reagan Administration's plan for Persian Gulf security raises important questions of constitutional authority, of foreign policy, of military policy, of economic policy and of energy policy, none of which has been adequately discussed. Because of the implications for our economic policy, the Joint Economic Committee, assisted by the Congressional Research Service, last summer initiated an exchange with the Departments of State and Defense which had the objective of obtaining a clear statement of the Administration's Persian Gulf security policy and its ramifications as the Administration sees them. The full exchange, together with commentaries prepared by the CRS on both our questions and the Administration's responses, is published here.

This is an important and disturbing document.

It suggests that the Administration is prepared to undertake "commitments" to the military security of the Persian Gulf states for which it has not requested or received Congressional approval, contrary to constitutional procedure and long-established practice.

It suggests that the Administration has defined the principal threat to the Persian Gulf in a way that differs substantially from the perceptions of our European allies, and that therefore we cannot expect full support from them in any actions we may take.

It suggests that the Administration is preparing to develop a military capability of unprecedented dimension and reach, in a part of the world whose proximity to the Soviet Union and harsh physical conditions should suggest caution to the military planner. With any level of expenditure, it is doubtful we can achieve the capability which the Administration needs.

It suggests that the Administration is planning to request from Congress in future years billions of dollars in additional military spending -- dollars which have apparently not yet made an appearance in the Administration's long-term budget projections.

And it suggests that alternative approaches to the problem of energy security have not been sufficiently considered.

The question of U.S. military commitments in the Persian Gulf region is a matter which should arouse bi-partisan citizen and Congressional concern. In its answer to question Four, the

Administration asserts three cases of alleged U.S. commitment to the security of Middle Eastern nations, none of which have ever been submitted to the Congress in the form of a proposed treaty obligation.

In the case of Israel, a longstanding and valued friend, no treaty for mutual security assistance has ever been requested by either side, although few would question that our friendship is and remains a constant in our national foreign policy.

In the case of Saudi Arabia, the Administration cites Presidential statements, going back to Franklin D. Roosevelt, as sufficient to establish a national military commitment to Saudi security, and backs this assertion with the statement that the Administration's -- unilateral and as yet unapproved -- decision to sell AWACS to the Saudis in some way underlines this alleged commitment.

In the case of Pakistan, we have a mutual security agreement which provides only that we will consult in the event of Communist aggression against Pakistan and that we will then follow appropriate Constitutional procedures. The Administration goes far beyond the terms of this agreement, to assert that "proposed security sales assistance" to Pakistan constitutes an example of "commitment" to Pakistani military security.

In these responses, the Administration has spelled out a dangerous strategic doctrine, which may return to haunt us in the months and years to come. It has asserted, in effect, a right to commit U. S. prestige, power and military might to the

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defense of remote areas of the world, without the advice, much less the consent, of the Congress. In so doing, it departs from a long tradition of U.S. diplomatic and constitutional history, which says that the United States is committed only when and where the Congress of the United States stipulates. In the post-World War II period alone, U.S. Presidents have repeatedly sought and received Congressional approval for such military commitments: to NATO, to the members of the SEATO, CENTO and ANZUS pacts, and even though under a cloud of doubtful information, to South Vietman under the Tonkin Gulf Resolution in 1964. Where, except for Vietnam, U. S. policy has erred, it has often been when American Presidents have sought to create commitments without the full process of Congressional debate and approval. President Carter made just such a mistake in announcing the "Carter Doctrine" of U.S. military commitment to Persian Gulf security, without seeking a resolution of congressional approval. The Reagan Administration is now repeating and magnifying that mistake.

The Administration has defined the threat which we must be prepared to meet in the Persian Gulf as that of a direct overland attack by the armed might of the Soviet Union. While this is clearly the most dramatic potential threat, it is far from the most likely. Moreover, it is extremely doubtful that measures which the Administration proposes to take in response to that threat have much bearing on other, more probable and potentially equally dangerous threats to the security of oil supplies.

Surely we should have learned from our bitter experiences in Iran and Vietnam that U.S. military power, whether in the form of assistance to an indigenous government or the direct presence of U.S. military force, is not necessarily able to repel a sufficiently popular and fanatical indigenous revolutionary movement. And surely the current Iraq-Iran war should teach us that threats to the flow of oil which are likely to arise around the head of the Gulf include situations in which our military might is unavailing.

Even if the threat of an overland Soviet invasion were as probable as it is dramatic, it is not clear that there is any way, short of nuclear weapons, that the United States can project enough force into the region to provide an effective defense. The Soviet Union borders the region; our supplies must travel 7,000 miles by air and 12,000 miles by ship. Prodigious quantities of material would have to be prepositioned in the area, each of them vulnerable to pre-emptive attack. If the Straits of Hormuz were closed after the start of a Russian-American battle at the head of the Gulf, our forces could be stranded and trapped. Are we building an out-sized Naval Maginot Line?

There are many, many military uncertainties which must make even the non-expert in military planning doubt that a careful evaluation of what is militarily realistic has been done. Certainly no sign of such an evaluation appears in the following pages.

To refrain from the ironclad military commitment in the Persian Gulf toward which we are lurching does not mean that we invite a Soviet takeover. It merely means that we see merit in keeping the Soviets guessing.

As to cost, the Administration states that estimates will be presented for the 1983 budget year, with "full justification and testimony" for that year and for the FY 1983-1987 program period. Those who believed that the Reagan Administration had already proposed a dramatic build-up in our military forces may have a surprise coming. How many billions more will be required in the Persian Gulf? What will be the effect on the deficit, on interest rates, on inflation and on our civilian standard of living of these unquantified commitments?

Finally, the Administration offers no evidence of having integrated its foreign military "commitments" in the Persian Gulf with domestic and international energy policy. Specifically, the Department of Energy has increased by 30 percent those programs which will do the least to reduce oil imports, and cut by 75 percent those programs which do the most to reduce oil imports. On the international side, as the CRS commentary points out, such measures as special arrangements to guarantee our allies access to our coal, to promote third world oil and gas production through the World Bank, and to foster development of energy production and conservation technology have been neglected in the Administration's response. Much more can be done in these areas

to reduce the reliance of the West on Persian Gulf oil, and so make that region a less vulnerable target for hostile intervention directed against the West.

TEN QUESTIONS ABOUT OUR POLICY IN THE PERSIAN GULF

Question No. 1: How does the Administration define vital U.S. interests in the Middle East/Persian Gulf region, including primary objectives in the region, secondary interests which may derive from those primary objectives, and global interests with application in the region? How does this definition of U.S. interests differ from that used by the previous Administration?

CRS Background: The United States has critical interests in the Middle East. None seems "vital," in the sense that the survival of this country would be threatened in the short term if we failed to provide sufficient safeguards. Many, however, conceivably could imperil U.S. interests over a longer term and undercut our security, if they came uncovered.

Persian Gulf petroleum, for example, might be seen as a "vital" interest to NATO Europe and Northeast Asia, but not to the United States. The U.S. position, however, would be badly weakened if the economic power and independence of the allies were seriously compromised. Freedom of the seas is a related U.S. interest. Without it, safe passage of petroleum products could prove impossible.

Interests in regional peace and stability are also prominent. A fifth full-scale Arab-Israeli war could draw in the superpowers and quickly escalate beyond control. These contingencies pose conflicts between U.S. interests in petroleum and our moral and emotional interests in Israeli independence and prosperity. Failure to support Israel might adversely affect U.S. credibility among allies and associates worldwide.

Three connected questions for the Reagan Administration are:

-- What U.S. objectives, policies, and plans protect the interests cited above?

-- Do we have the power to protect them successfully?

-- If not, which interests do we cover in what priority?

State/Defense Answer: Since taking office, this Administration has consistently emphasized that the Middle East/Persian Gulf is a region of vital importance to the United States because of its energy resources, its strategic location, its vulnerability to hostile influences, and our long and close ties with many nations in the area.

For at least the foreseeable future, what happens in Southwest Asia will seriously affect the economic well-being of the industrialized world. While economic burdens related to oil prices cause economic hardships for the U.S. and our allies at a time when we are forced to increase defense spending in the face of growing Soviet challenges, they would be secondary compared to the challenges we would face without access to oil. The economy of Western Europe and Japan would be crippled, and the worldwide reallocation of oil supplies would have a severe impact on the U.S. Soviet control or influence over Western access to oil could have serious implications for the Western alliance system.

It is of utmost concern to the U.S. and our allies that the nations of the region remain independent and secure, that they be free to develop politically and economically unhindered by outside intervention, and that they be assisted in their efforts to improve defensive capabilities to defend themselves against external aggression. It is also in our interest to promote the continuation of Middle East peace negotiations aimed at peaceful resolution of the Arab-Israeli conflict. As pointed out in your background summary, freedom of the seas and passage through the straits in the region are also integral components of these interests.

Our vital national interests in this area are dictated not so much by the perceptions of successive U.S. Administrations as by the facts of the regional situation itself. This Administration recognizes that our vital interests in the Middle East/Persian Gulf form part of a global strategic situation involving our relationships to all nations of the world. This guides our discussion of threats and objectives in the responses to your second and third questions which follow.

CRS Comment: Administration answers, threaded throughout this report, reflect recognition that some U.S. interests are inconsistent (perhaps incompatible) with those of some allies and associates. They explain in general terms steps being taken to attempt to achieve closer reconciliation, if not a consensus. The responses acknowledge that existing military means (such as the so-called Rapid Deployment Force) are insufficient to satisfy all U.S. aims. They may also be inappropriate in some instances. Efforts to strengthen collective security apparently would wisely stress political, and economic initiatives, as well as armed strength.

Question No. 2: What does the Administration define as the threats to U.S. interests in the region? Which threats are most ominous, posing the greatest potential danger to U.S. interests? Which are most imminent, posing the greatest near-term threat to U.S. interests? In what ways does the definition of the threat differ from that of the previous Administration?

CRS Background: It is presumed that Administration policy is based on the assumption that control of the Persian Gulf by the Soviet Union would enable the Soviets to manipulate the flow of a major source of the West's oil and gas and very likely deny Western access to an area of the utmost strategic importance. The Soviets could in theory turn the threat into reality either by military aggression or indirectly through intervention into the volatile politics of the area. The range of potential threats, taking one possible approach,

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can be grouped under three headings: 1) Soviet Military Action, 2) Inter-regional Rivalries, 3) Internal Disruption. A possible fourth category is a new Arab-Israeli War.

While a Soviet military invasion is not necessarily the most likely threat, it is the most serious and consequently is currently driving our military contingency planning thus far. In this regard the Reagan Administration has extended the Carter Doctrine beyond the Gulf, adding the factor of a simultaneous threat elsewhere in the world, thus greatly complicating the task of planning a response to the threats in the Persian Gulf.

Should Moscow decide to mount an invasion into Iran, endangering the key oil supply line that runs through the Strait of Hormuz, Soviet forces would have a decided advantage because of their newly developed capability to move and sustain forces at distant locations and because their invasion route would be completely overland and contiguous to the Soviet Union. Most analysts concede that the Soviet Union has the military capability to seize a corridor to the Gulf and that the United States could not stop them. From that perspective, our course might be one of deterrence.

The Soviet Union could also decide to exploit regional tensions rather than attempt direct military action. Regional governments are aware of this threat, but they remain rigidly opposed to any outside power gaining entry into the area and therefore do not favor overt U.S. involvement in protecting against subversion attempts.

The danger is that while the United States concentrates its efforts on combatting the "worst case" scenario, a Soviet invasion, we might not be prepared for a more likely emergency: a regional war that could spread throughout the area or beyond. Regional rivalries run deep throughout the Middle East and are susceptible to subversive manipulation.

Many analysts are convinced that the most serious danger could arise from our inability to prevent the overthrow of a local government whose demise could seriously upset the regional balance. There are at least a half dozen regimes that might be subject to overthrow efforts during the coming decade.

Thus, our interests in the Persian Gulf are threatened in a number of ways. Whether the impetus for changes inimical to our interests comes from within or from outside the region, the effect could be the same: interruption of the flow of oil to the United States and its allies and possibly a denial of strategic access to all or part of the area.

State/Defense Answer: As the background to your question suggests, the threats to the region vary from direct Soviet aggression to regional conflict and internal instability. It is useful, as you state, to make a distinction between threats potentially most dangerous and those most likely to occur.

The most dangerous potential threat to U.S. interests in the region would be a Soviet attack, perhaps at the invitation of some faction in a regional state or on a pretext designed to exploit regional instability. Afghanistan is a prominent example. Soviet military capabilities in the area are formidable and pose a threat which requires the deterrent of U.S. counterforce since the nations in the region could not hope to resist alone.

Perhaps more imminent would be an indirect version of this threat, involving predatory activity by a state closely supported by the Soviets such as Libya or South Yemen. There are other threats to stability stemming from intra-regional conflicts, such as the recent Iraq-Iran war, or revolutionary activities in a regional country, as in Iran. There are also situations combining these two threats, as is the case with the internal war in the Yemen Arab Republic which is supported by the Soviet-backed regime in South Yemen (PDRY), or as in the civil strike taking place in Lebanon. One intra-regional conflict in particular, the Arab-Israeli conflict, stands out for its longevity, intensity, and complexity and because it has strong potential for escalation.

Again, area threats are determined less by the perceptions of successive U.S. Administrations than by the facts attendant to the region. This Administration fully recognizes the scope of the regional threats facing us. The Soviet military occupation of Afghanistan against the backdrop of regional instabilities emphasizes the need to improve U.S. military capabilities. Efforts to develop credible capabilities by the previous Administration continue and are being intensified by the present Administration. At the same time, we recognize the fact that (a) the military component is only one of several elements--along with diplomacy, economics, etc.--in our overall policy and strategy toward the region, and (b) our regional policy is a component of our larger global strategy.

CRS Comment: In its answer the Administration does little more than reiterate that there is a range of possible threats to U.S. interests in the Gulf region. Taken in combination with the Administration's response to question 7, one could imply that the planned Rapid Deployment Joint Task Force (RDJTF) will be sized to fight against the most serious threat, a direct Soviet aggression into the region, apparently assuming that some part of the force will be able to cope with any lesser threat arising out of regional conflict or internal instability.

Until there is a more precise definition of the enemy that the RDJTF is expected to fight it will not be possible to establish the necessary size, composition and costs of the planned RDJTF and whether it will be adequate to the task. Many analysts question whether it is possible to move a force large enough, strong enough and quickly enough to counter a large-scale Soviet invasion into Southwest Asia, particularly without active Allied participation. Many of them are convinced that even with Allied help it can not be done without positioning troops in the area beforehand with the cooperation of the local governments--which hardly seems likely at the present time. Other analysts also question whether it is wise to plan for what they see as the least likely contingency (a massive Soviet invasion) when such planning would require huge investments and might also conflict with other U.S. objectives in the region.

There are also those that question the concept that smaller forces drawn from the overall RDJTF will be able to deal with the much more likely lesser regional or internal crises that can threaten U.S. interests in the area. Many of them argue that the regional countries themselves are better able to deal with these emergencies and that the best course for the U.S. is to provide them support through arms transfers and security assistance programs.

The Gulf Cooperation Council recently established by a number of Gulf countries is an attempt to form a local defense force without outside interference.

There is also reason to question the Administration treatment of the Arab-Israeli conflict and how it affects regional security. Apparent U.S. acceptance of Prime Minister Begin's offer of increased strategic cooperation with Israel and access to staging and supply facilities on Israeli soil could call into question the political viability of previous agreements for similar access in Kenya, Somolia, Oman and Egypt. The terms of executive agreements for use of those facilities have not been altogether clear, causing some concern within the Congress about costly improvements to the facilities without adequate guarantees for their use by the U.S. in an emergency.

It would appear that a clearer definition of the perceived threat would facilitate structuring and funding of a feasible and credible military deterrent.

Question No. 3: What are the Administration's political, economic, and military objectives in the region? How do these objectives differ from those that underlay Carter Administration policy?

CRS Background: Some observers have noted that the present Administration apparently has not as yet completed the development of its policy for the Gulf region. Of key concern is whether or not the following traditional U.S. objectives remain constant:

— Continued and assured access to the region's oil resources by the United States and its allies.

— Encouragement of moderate oil-pricing policies and maintenance of production levels by producing-states to sustain the economic and political health of the industrialized world.

-- Prevention of the establishment by an external power--in particular, the Soviet Union--of a predominant political and military presence in the region.

-- Promotion of the achievement by friendly regional states of credible defense and deterrence capabilities against potential regional threats.

-- Maintenance and strengthening of economic and technological ties between the United States and regional states; continued access to regional markets for trade and investment; and encouraging the recycling of petrodollars through Western markets.

-- Achievement of progress toward a comprehensive resolution of the Arab-Israeli conflict which has affected virtually every other issue of major U.S. concern in the region.

Instability in the region following the Iranian revolution appears to have exposed the vulnerability of the Gulf's oil resources, vital to the Western world. It also appears to have underscored the geopolitical costs of the gradual deterioration of U.S. force projection capabilities which began with the Nixon Doctrine and continued under the Ford and Carter Administrations until the Soviet invasion of Afghanistan in December 1979. Has the Soviet invasion of Afghanistan moved the United States toward creating a policy that will require massive military power to support our objectives and protect our interests in the region? What are the Administration's proposals for developing this power?

State/Defense Answer: The traditional U.S. objectives in this region, which are largely described in your background to this question, remain. However, this Administration has emphasized our overarching aim of building up regional security, particularly against the threat of Soviet aggression, while working hard to help end one of the area's most persistent problems (the Arab/Israeli conflict) through the Middle East peace process.

This represents an expansion and intensification of the previous Administration's policy which began focusing on the importance of improving the defenses of the Southwest Asian region with direct American contributions, as well as with assistance to the self-defense capabilities of our friends in the area. This administration recognizes the integral connection between the security of free states in this region and the security of free states around the globe from the threat of Soviet intimidation or aggression.

Our regional objectives can be listed as follows:

- stable access to oil and maintenance of sea lanes of communication
- countering the spread of Soviet power
- improving our political, economic and commercial relationships in the region.

We can achieve these objectives by:

- assisting friendly states to improve their defensive military capabilities, economic viability, and political stability
- improving our own military capabilities in the region
- demonstrating U.S. constancy and resolve in support of regional security
- pursuing our peace efforts in the Arab-Israeli conflict
- strengthening economic, financial, commercial, and technological cooperation with nations in the region
- furthering cultural and people-to-people ties with the region.

CRS Comment: The State/DOD response acknowledges that traditional U.S. objectives, listed in the background to the question, remain. It also usefully lists U.S. regional objectives, though in somewhat general terms.

The response states that "this Administration has emphasized our overarching aim of building up regional security, particularly against the threat of Soviet aggression, while working hard to help end on the area's persistent problems (the Arab/Israeli conflict) through the Middle East peace process." While an Arab-Israeli settlement undoubtedly remains a basic objective of the present Administration, there appears, however, to be little evidence that the Administration has given it emphasis over the past nine months.

In fact, issues that pertain to a resolution of the Arab-Israeli conflict--namely, the Palestinian question, the problem of the status of East Jerusalem, and Israeli settlements policy in the West Bank, among others--seem hardly to have been addressed by the Administration, to the possible detriment of U.S. objectives. The assassination of President Sadat is a stark reminder of the fragility of U.S. approaches to peace in the Middle East.

Question No. 4: What is the nature of the legal and de facto U.S. military commitments in the Middle East/Persian Gulf region? Do those commitments differ in any way from those made by the Carter Administration? Does the Administration intend further to adjust Carter Administration commitments? If so, in what directions? What economic and political actions have been taken to carry out our current commitments? What are the direct and indirect budgetary costs of those commitments? What other actions or obligations may be implied by our present commitments?

CRS Background: The U.S. does not have any legal military commitments, as such, in the Middle East/Persian Gulf region, although it has de facto military commitments of varying degrees to specific countries in this area (the Middle East/Persian Gulf region is defined as embracing Egypt, Israel, Jordan the Arabian Peninsula, and all Persian Gulf littoral states, as well as East Africa from Kenya north to Egypt).

The Carter Administration attempted to shore up U.S. influence in this region and to acquire military access agreements that would enable the rapid deployment of American forces into the region to protect against possible destabilization efforts by the Soviet Union or its proxy states, or efforts to interdict the vital Persian Gulf oil supplies. As a result of these efforts, the U.S. obtained written military facilities access agreements from Kenya, Somalia, and Oman. In addition, Egypt offered assurances that in certain cases the U.S. could use Egyptian facilities for protection of regional states.

In association with these facilities access agreements--none of which constitutes an absolute guarantee of U.S. use of the facilities--the United States had indicated that it would provide military credits or other economic assistance, though the quid pro quo of aid for base access has been implicit. The Carter and the Reagan Administrations submitted requests to Congress to provide such military and economic aid to Kenya, Somalia, and Oman in light of their cooperation to date. The details of the commitment to each country vary and base access-related commitments cannot always be separated out. The base access commitments of the regional countries to the U.S. are even less clear in most cases. It was also expected that the degree to which the U.S. could or could not use the military facilities would be clarified. Can the Administration provide such clarification? Can the Administration draw up an accounting of the costs of U.S. present and future commitments?

State/Defense Answer: Our 1959 mutual security agreement with Pakistan has been specifically reaffirmed. It provides, in the event of aggression against Pakistan by a Communist or Communist-dominated power, for prompt consultation and such appropriate action as the parties may agree upon, in accordance with our Constitutional procedures. We have a similar bilateral treaty with Turkey, which is also a member of NATO and therefore benefits from the mutual security provisions of the NATO Treaty. A similar bilateral treaty with Iran has been denounced by the new Revolutionary government there.

The United States has no other formal treaty security obligations toward any other Middle East nation. However, our commitment as a matter of national policy to the security of Israel is long standing. We likewise have a general policy commitment to the security and integrity of friendly states in the area, affirmed by the previous and the present Administrations. Our commitment to the security of Saudi Arabia has been evident through the statements of every American president since Franklin D. Roosevelt. It is also evidenced in a variety of security relationships, including, first, the loan of AWACS aircraft, and subsequently the Administration's agreement to sell AWACS and other air defense equipment to Saudi Arabia. Our proposed security sales assistance to Pakistan is another example of our resolve and commitment.

In connection with the 1973 Middle East cease fire and the Camp David Agreements, the U.S. has provided substantial amounts in security assistance to Israel and Egypt. In regard to Israel, these include the provision of $3 billion, $800 million of which was a grant toward the construction of two airbases in the Negev, and $2.2 billion as loan credits to assist the relocation of Israeli forces from the Sinai. (An additional $200 million for

this purpose was also later provided.) In regard to Egypt, under the Camp David Agreements the U.S. committed $1.5 billion in security assistance, and we continue to provide security assistance support to a five-year Egyptian force modernization program.

The U.S. has executive agreements with Oman, Somalia and Kenya providing for access by U.S. forces and the status of those forces. There are no security commitments or obligations to sell weapons, nor are there any obligations on the U.S. to expend funds or to maintain forces in these countries, although successive administrations have sought, and we will continue to seek, military credit and economic assistance funds for these countries. These access agreements confer rights on the U.S. which we may exercise with approval of the host country.

CRS Comment: The Administration's response provides a description of the major U.S. mutual security agreements in the region and with the neighboring states of Pakistan and Turkey. It does not explain the legal commitments incurred under the mutual defense assistance agreement or the several related executive agreements with Israel.

By refering only to the 1973 Middle East cease fire and the Camp David agreements, the Administration response understates the extensive de facto U.S. commitment to Israel that is spelled out in numerous documents and Presidential statements. 1/ The response does not provide insights to the future direction of American commitments in the Middle East. Not treated, for example, are whether the Administration will seek additional military bases or access rights, whether it will seek closer security relations with Israel, Saudi Arabia, or Egypt, or whether Administration policy implies increased commitments to other countries in the region.

The response discusses recent levels of security assistance to Israel and Egypt but does not discuss economic assistance and makes no mention of indirect costs of our Middle East commitments. The Administration chose to provide

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1/ For a fuller discussion of these commitments see, Deibel, Terry L. Commitment in American Foreign Policy: a Theoretical Examination for the Post-Vietnam Era. Washington, National Defense University, Research Directorate. National Security Affairs Monograph Series, 80-4, 1980.

no estimate of the cost of bases in Somalia, Kenya, Oman, and Egypt. Additional information on the future of U.S. relations with the Palestinians and on the relationship of U.S. oil requirements to our commitment to the defense of Saudi Arabia would also be helpful for further congressional evaluation of commitments in the region.

Question No. 5: How, in the Administration's judgment, do the regional nations perceive their interests, threats to those interests, and the required response? To what extent do these perceptions coincide with U.S. perceptions and complement U.S. approaches? To what extent do they differ from U.S. perceptions and therefore constrain U.S. approaches? To what extent do they coincide or conflict with interests of the Soviet Union?

CRS Background: Persian Gulf-Arabian Peninsula states perceive five sources of threats to their interests. One threat is Marxism because its anti-religious dogma is anathema to Islam, the pervasive cultural force in the region. Two Marxist states, Ethiopia and South Yemen, welcome rather than dread the spread of Marxism, which makes them part of the Marxist threat perceived by other states. A second threat is Israel because it is viewed as a Western outpost expanding at the expense of indigenous peoples. Non-Arab Iran and Pakistan do not share to the same degree this perception of an Israeli threat. A third perceived source of threat to the region is colonialism, or great power hegemony, which many states see as a threat to their independence. Yet some states rely upon great powers for the weapons needed to defend against other threats or for technology needed for development, as in the case of the Soviet Union providing the Tabqa dam and MiG-23s for Iraq or the United States providing petrochemical plants and F-15s for Saudi Arabia. And Israel, which sees the Arab states as the main threat to its security, is heavily dependent on U.S. support for its continued existence. A fourth threat perceived by many states in the region is aggression by their neighbors. Persian Gulf-Arabian Peninsula states maintain defense establishments to deter aggression from neighboring states, but no state in the

area expects its armed forces to stop a Soviet invasion. A fifth threat for many states is internal rebellion that would overthrow their regimes.

The regional nations for the most part would prefer both superpowers to withdraw from the region, but as long as most fear that one superpower, the Soviet Union, will expand its influence, the other superpower, the United States, must also be available as a deterrent. Most states would object to a permanent U.S. presence in the region because a U.S. base is seen as diminishing the independence of the host country and could stimulate the Soviet Union to establish a base to counter the American presence. But many of the Persian Gulf-Arabian Peninsula states welcome a U.S. capability to intervene, an "over-the-horizon" presence to save their nations from Soviet or other threats if the need should arise. Again, there are exceptions to the generally held view. Oman and Somalia agreed to U.S. staging facilities on their territory to be used only in emergencies, and Egypt has offered the use of its facilities for contingencies. Presumably, Israel would offer its facilities to the United States to counter Soviet aggression.

Clearly, there are conflicting interests among states in the region and between each of those states and the United States. How will Administration policy accommodate those differences?

State/Defense Answer: While it is difficult to generalize on the diversity of perceptions of so many states concerned, it is fair to say that the governments of this region perceive one interest above all—national sovereignty While several have at times entered into political arrangements with each other in the name of Arab unity or Islamic brotherhood, these arrangements have never survived the challenge of national sovereignty. One country in particular—Lebanon—is at present deeply troubled by internal and external challenges to its continued national sovereignty. Another—Iran—is weakened by internal instability and fissiparous tendencies which have throughout its history challenged the concept of central national sovereignty. This firm attachment to sovereignty also accounts for the resistance the governments in the region manifest to external threats, whether they perceive these as coming from the Soviet Union and its surrogates, the possible return of great power hegemony in the form of "neo-colonialism", or indeed aggression from

neighboring or militant area nationalisms, either by direct attack through indirect manipulation of internal instabilities. Most states in this area have stoutly resisted Soviet blandishments and pressures. A few have accepted Soviet assistance. One (South Yemen) has acted on many occasions as, in effect, a surrogate of Soviet policy against the moderate, Western-oriented regimes of the area.

Many of the Arab nations of the area share, to a greater or lesser degree, the perception that Israel represents the prime, immediate threat to their well-being and sovereignty, while Israel in turn perceives a direct Arab threat to its existence. Several states fear what they describe as a combination of Western, specifically U.S., "imperialism" in alliance with Israeli Zionism. This theme, baseless and illogical as it may seem to us, also plays on the innate suspicion towards residual colonialism manifested by new states, particularly along the Persian Gulf.

Nevertheless, there is a basic consensus developing over the importance--and danger--of the Soviet threat, an issue which has concerned some of our friends in the area (e.g., Saudi Arabia) for years. Although the area governments espouse a policy of keeping all major powers out of the region and therefore prefer that the U.S. deter the Soviets from "over the horizon," many of them are becoming familiar with the in-region requirements of viable and credible strategy to defend against Soviet aggression. Several have agreed to provide access to their facilities for our use as needed. Most have undertaken military modernization programs of their own to bolster their capabilities. It will take continuous, cooperative relationships between the U.S. Government and our friends in the area to assure that our strategy of deterrence and defense remains credible to the Soviets and their surrogates.

CRS Comment: The Administration response notes that the primary interest of Middle Eastern regional states is the protection of national sovereignty, and that Arab nationalism manifests itself against external threats from the Soviet Union, "neo-colonialism," and aggression from neighboring states. A United States' policy advocating the presence of U.S. bases in the region, either as permanent installations or as staging facilities to be used in time of crisis, however, may also conflict with Middle Eastern sensitivities. While a U.S. base may respond to regional concerns about Soviet expansionism, a base could also be detrimental to long term U.S. interests if it aggitates a perception of threat from "colonialism" or a neighbor's aggression.

The Administration response states that a "consensus" on the importance of the Soviet threat is developing in the region, from which we infer that many of the states may be seen as willing to cooperate with a U.S.-led regional

defense program. Is a CENTO or MEDO or "Northern Tier" concept contemplated? Past efforts to create similar defense alliances have not been wholly successful, and there seems little evidence to suggest that regional defense arrangement with United States participation would be more successful at this time. Clearly, there is no regional enthusiasm for the creation Israeli-Egyptian-Saudi-American cooperative defense grouping a proposal that surfaces periodically.

The statement that Israel is the "prime" threat perceived by many nations in the Middle East suggests certain additional policy questions. Is the United States now doing anything, or is there anything the United States can do, to change the Arab perception of Israel as a threat? Is the United States doing anything, or is there anything the United States can do, to diminish the Israeli threat to other nations, if the Arab concern is well founded? It would appear that the statements made during Prime Minister Begin's September 1981 visit to the United States on U.S.-Israeli strategic cooperation could heighten rather than lower Arab perceptions of both the Israeli threat to their national sovereignty and the prospect of U.S. "colonialism" in the Middle East. It would also appear that the Administration's proposed $8.5 billion in arms sales to Saudi Arabia could have a mixed effect on regional threat perceptions.

Question No. 6: How, in the Administration's judgment, do our Western allies perceive their interests in the region, threats to those interests, and the required response? To what extent do these perceptions coincide with U.S. perceptions and complement U.S. approaches? To what extent do they differ from U.S. perceptions and therefore constrain U.S. approaches?

CRS Background: It would appear that the European allies and Japan recognize that they are vulnerable to disruption of Persian Gulf oil supplies. Where they seem to part company with the United States, however, is in defining which threats are most imminent and how to deal with those threats.

According to some experts, the European and Japanese definition of the threats, running from most to least likely, would include: 1) instability resulting from factors indigenous to Middle Eastern countries; 2) conflicts among regional countries, such as the Iran/Iraq war; 3) Soviet subversion; and, lastly, 4) direct Soviet intervention. From the allied perspective, therefore, the United States, in emphasizing 3 and 4, has a distorted view of the threats to Western interests.

Again, according to this allied perspective, an overemphasis on military responses results from this distorted concept of threats. The allies therefore are reluctant to participate in military programs that they consider either unnecessary or potentially destabilizing for the region.

Does the Administration accept this description of differing U.S. and allied perceptions of the threat and the required response? If not, why? If so, how does the Administration intend to deal with the problems created by the differing perceptions?

State/Defense Answer: Our West European and Japanese allies fully support the U.S. goal of maintaining free access to Middle East oil. They believe that a potential interruption of their supplies represents the most serious threat to their security. By the same token, they recognize that they have only limited capability themselves to counter the threat of direct Soviet aggression and know they must depend primarily on U.S. power and resolve for that task.

There remain, of course, some well-known differences between our allies and ourselves, in particular on the peace process. Despite these differences, the Europeans, acting through the European Community, are inclined to view their efforts in the Middle East as complementary to the ongoing peace process.

Our allies are as concerned as we about the extension of Soviet power in Afghanistan, Ethiopia, and South Yemen, and Moscow's expanding military relationships with Libya and Syria. The allies support a strengthened Western military posture in Turkey, Pakistan, Egypt, Oman, Somalia, and Kenya and are willing to make some contribution, though on a bilateral rather than on an alliance-wide basis. They also support, and participate in, efforts to enhance the security of Saudi Arabia.

The decision to sell AWACS to Saudi Arabia, as a case in point, has been well received by the European allies because it represents a low-profile in-

crease in the defensive military capabilities of countries in the region, and symbolizes to moderate Arab governments that the U.S. is taking the interests of its Arab friends into account as well as those of Israel. The Europeans also accept the importance of deploying a mobile force such as our Rapid Deployment Force that can help defend the Gulf region in the event of a contingency. Some of them, notably the British and French, are making their own contribution in terms of forces that are in the area or can move there quickly.

CRS Comment: As the Administration response has noted, it goes without saying that the allies share the U.S. objective of maintaining free access to Middle East oil. Whether they regard a potential interruption of oil supplies as "the" most serious threat to their security may be debatable. Most European leaders probably share the predominant view expressed by their publics in recent surveys that the greatest threat to their security is a possible U.S.-Soviet confrontation.

The question, however, was to what extent the allies perceived the threats to free access differently and whether these differing perceptions affected their preferred policy approaches. This question has largely been finessed in the Administration's response. It is true that because the Europeans have but limited military means to counter any direct Soviet aggression the United States would have to provide the bulk of any Western response. The Europeans and Japanese do not, however, see western military capabilities as necessarily the sole source of potential Western strength in the region.

Allied leaders, for the most part, take the position that the West derives considerable security from the needs of the regional countries for access to Western markets and technology. They also believe that similar Soviet requirements for Western technology and other Western goods, such as wheat, tend to constrain any Soviet temptations to intervene directly in the region. In other words, the Europeans reject a narrow concentration on military responses to potential Soviet aggression in the region because they believe that other approaches might be

more productive and less costly in terms of Western interests. They are at least equally — if not more — interested in developing economic ties and political bonds that will both ensure cooperative relations with regional nations and discourage Soviet adventurism.

For the Administration to treat only the military aspects of Middle East security leaves undiscussed the relevant economic and political perspectives of the Europeans. If the Administration acknowledges the potential value of European and Japanese political and economic approaches to Western security interests, the chances would be increased of working out complementary U.S. and allied policies in the region. If not, European initiatives in the Middle East or European reluctance to accommodate the consequences of U.S. military planning could become a source of serious U.S.-European disagreement.

Question No. 7: Does the United States possess the requisite military capabilities to deal with the threats identified by the Administration? If not, what are the major elements of a build-up that will close the requirement-capabilities gap? What will be the additional costs of closing this gap? What additional direct and indirect budgetary costs might be associated with such a build-up? Over what time period will these costs be incurred? What would be the risks incurred by not providing these military forces? What are the potential risks involved in implementing new military commitments in the region?

CRS Background: Most observers would agree that the United States does not now have the military capabilities to deal unilaterally with the threats to Western interests in the Persian Gulf/Middle East region. Does the Administration agree? If so, what steps are required to deal with the problems?

After withdrawal from Vietnam and prior to the Iranian revolution, U.S. military forces were sized and configured for a major European contingency directly involving the Soviet Union and a lesser contingency (Soviets not involved, or involved only indirectly) in the Middle East or in some other Third World location. This military posture was sometimes called a one and a half war strategy. Defense officials have recently indicated the basis for

sizing and configuring U.S. military forces has been changed to allow for two major contingencies. But it is clear that the types of forces required for a Persian Gulf intervention capability are considerably different than for a European contingency.

— How did the situation in the Middle East figure in the decision to change the force sizing basis? Does the new planning envision direct Soviet involvement in the second "major contingency"?

— What are the most significant elements in the build-up from one major and one minor to two major contingency capability? What would be the risks incurred by not providing these forces?

— How will forces for Persian Gulf contingencies differ in terms of equipment, mobility, tactics, etc?

— What will be the incremental costs of adding these new forces to our military structure? Over what time period will these costs be incurred?

— What additional direct and indirect budgetary costs might be associated with this military build-up?

— What are the potential risks involved in implementing new military commitments in the Middle East in connection with the new force posture?

— How would such a build-up be designed to meet the unique features of the military challenges in the region, including but not limited to the problems of long supply lines, possible shortages of water, vulnerability of oil fields and supply lines, and the potential hostility or non-cooperation of elements of the indigenous populations?

State/Defense Answer: The primary purpose of directing U.S. military force capability towards Southwest Asia is deterrence. The essence of deterrence is perception, which is molded by three components: (1) possession by the deterring nation of a viable force capable of defeating an enemy or causing him unacceptable harm, (2) the national will to use force, and (3) communication to a potential enemy of our capability and will to use our force in our national interests. Ultimately, deterrence depends upon our overall

conventional and nuclear power, the fundamental strength of the American economy, and the collective alliance capability to maximize political and military assets in conjunction with those of regional states. The Reagan Administration is aware of the fundamental nature of these factors and is pursuing a course to build U.S. military capability, after years of neglect, back to a level of strength necessary to meet our objectives.

For Southwest Asia, we are on a path towards development of a capability to meet the most demanding threat in the region which, inherently, will also provide the concepts and tailored forces necessary to cope with many lesser threats. The Soviets have distinct advantages in terms of projecting power into the region given their close proximity to the area, compared with the very long distances of 7,000 air miles and 12,000 sea miles that we must travel to reach the region. Consequently, there is a need for progressive military development to deal with the problems of time and space and the evolving nature of possible Soviet incursion scenarios. We have forces in place, a presence in the region, represented by Navy aircraft carrier battle groups in the Indian Ocean, Marine Amphibious Units, and pre-positioned stocks on ships. We intend to tailor our forces, using those forces in the region plus reinforcement units from the U.S., to meet an evolving threat. Since the Soviets would need time to build up their forces for a major incursion in the area, we could use that time to deploy forces to meet that challenge should it become necessary. We are in the process of expanding our capabilities to deploy forces and to sustain them once in theater.

Force elements and other requirements to meet the needs of the Rapid Deployment Joint Task Force command as well as other contingencies are being developed and reviewed. Priorities for these elements are being made under the budjet review process. The results of the process will be presented to Congress as part of our annual budget input with full justification and testimony as required to support the Defense budget request for FY1983 and the FY 1983-87 program period.

CRS Comment: The question asked how the perceived threat to U.S. interests in the Persian Gulf-Middle East region figures in the Reagan Administration plans to build up U.S. military capabilities from a one and one-half- to a two-war capability and what will be the budgetary and other costs of this buildup, The Administration's reply made the following points.

A. The primary purpose of U.S. military capability to intervene in Southwest Asia is deterrence, which depends on our adversaries perceiving that we can, and will, successfully defend our interests there. As a super-power, our global military posture, conventional and nuclear, and our economic and

alliance strength constitute the ultimate deterrence in Southwest Asia. The Reagan Administration believes our global military posture needs strengthening and is planning to strengthen it.

B. Within the region, the Reagan Administration intends to develop a capability to deal with the worst case threat — Soviet aggression — believing that lesser threats could also be countered by such a capability.

C. Although geography favors the Soviets, for the present the Reagan Administration presumes enough strategic warning of Soviet aggressive intent that we can rely on a relatively small, mostly sea-based, military presence in the region, to be reinforced in an emergency from a strategic reserve. Some prepositioning of military supplies has been effected.

D. Force requirements for meeting the perceived threat are evolving, and budgetary implications are still being calculated. They will be provided with the fiscal year 1983 budget submission.

The linkage between the U.S. strategic deterrent and threats to U.S. interests in the Middle East-Persian Gulf region has been a factor since President Truman successfully used it to persuade the Soviets to leave Azerbaijan in 1947. The global alerting of U.S. forces during the 1973 Arab-Israeli war is a recent reminder that this linkage can be invoked in times of confrontation.

Concern that nuclear parity has reduced the credibility of our nuclear response lies at the root of most proposals to undertake the buildup of vastly more expensive conventional forces.

The Reagan proposal to develop forces to handle the most demanding threat, rather than the most likely threat, to U.S. interests in the region may be

militarily sound; whether it will prove politically or economically feasible is open to question. This issue could be central to the debate over the 1983 budget.

The suggestion that the U.S. will rely on reinforcement from a strategic reserve rather than forward deployment of conventional forces to the theater suggests that the Reagan Administration may have chosen a more costly alternative. Rationale for such a choice and whether it is suitable could be another issue before the second session of the 97th Congress.

Force requirements and budgetary costs of the Reagan Administration approach to Mid East deterrence will not be available until the FY 1983 budget request is submitted to Congress. To the extent that this omission is caused by the desire to submit a comprehensive fiscal statement rather than a piecemeal one, the Reagan Administration position is consistent with other administrations at this point in the budget cycle. However, the letter of transmittal indicates that the Administration may not have developed a firm policy for the region. Unavailability of force requirements and costs may reflect this latter condition.

Question No. 8: What contributions could the allies make to U.S. military efforts in the region? What political, economic, and military costs might be incurred as a result of gaining such allied contributions?

CRS Background: A near constant in the debate over the role of the United States in the Persian Gulf and Southwest Asia has been criticism of the allies (i.e., NATO, Australia, and Japan) for not doing enough in providing security for the region. This criticism is usually prefaced by comments that suggest that the Gulf's resources are more vital to the allies than they are to the United States. Because of the vital nature of these resources, it is argued, the allies should carry more of the security burden.

In general, the allies have argued that, while the region is critical, tensions should not be elevated to a superpower confrontation. The allies, on the whole, believe that military forces should be designed to deal with the more likely threat--regional conflict precipitated by local forces. Yet, the extent to which allied military forces could be called upon to play a greater role in the Gulf and Southwest Asia would be limited.

This limited role would be the product of four factors: 1) the smaller size of allied forces relative to those forces of the superpowers, 2) the political costs of introducing military forces into the Gulf region, 3) the reduction in allied capabilities in other regional theaters, and 4) the impact on allied defense resources of operations in the Indian Ocean theater.

Allied contributions to the Gulf region initially would be limited by the overall size of their armed forces. For example, even during the opening stages of the Iran-Iraq war, when the possibility of closure of the Strait of Hormuz became a concern, the multi-national force operating in the Arabian Sea was dominated by units of the U.S. Navy. The deployment of French, British, and Australian ships, represented significant portions of allied capabilities, but were still less than half of the combined multi-national force.

These deployments have their costs. They strain bilateral relations between the Gulf states and the allies, in addition to creating NATO tensions arising from an attempt to define an alliance-wide approach. There are likely to be domestic political costs in attempting to introduce allied military forces in the region. Japan, for example, may find it very difficult to increase defense expenditure and associated re-deployments of military units in the face of opposition by domestic political groups.

Complicating the political costs are the problems associated with reductions in allied commitments to other regional theaters. Changes in deployment

patterns create gaps in regional commitments. Thus, British deployments to the Gulf region reduce the capability of the British to maintain naval patrols along the G-I-UK gap and in the Eastern Atlantic. Deployment of the Australian carrier to the Indian Ocean means a reduced Australian presence in the South Pacific. Furthermore, the increased commitments of the U.S. to the Gulf region have meant that the allies must cover the gap created by the re-deployment of U.S. military assets.

Finally, there are economic constraints to what the allies can do. The budget cuts in British conventional military forces and the reduction of operational ships and aircraft will make it more difficult for the British to do more in the Gulf or to re-deploy to meet a reduced U.S. presence in NATO. A requirement to provide for the security of the homeland, the alliance, and the Persian Gulf/Southwest Asia may seem politically unattainable for most allied governments.

Thus, a combination of constrained military force size and political, military, and economic costs limit the potential allied contribution to the U.S. defense of the Indian Ocean theater, in general, and the Persian Gulf, in particular. How do these constraints on allied military contributions affect Reagan Administration planning?

State/Defense Answer: Recognizing that the U.S. would have to take the lead in defending Western interests in Southwest Asia, our NATO Allies endorsed the concept of a division of labor which calls for accelerated and additional defense measures by our Allies to pick up slack in the NATO area which would result from U.S. efforts to improve security in Southwest Asia. This includes consideration of providing additional forces (combat and support) to compensate for U.S. reinforcement units that may be diverted to that region. At the same time, we believe much more needs to be done to enhance our mutual defense interests.

Two European allies--France and the U.K.--maintain defense relationships with countries in the region. The French maintain a military presence at Djibouti, Reunion Island and Mayotte in the Comoros Islands.

In addition to this peacetime presence, the French have other forces that could be deployed to the region. In addition, France has a sizable security assistance program with regional states.

The British maintain no permanent forces in the region, but they have close ties with several key states (Oman, Bahrain, UAE, and Qatar). They also conduct naval deployments to the Indian Ocean. British security assistance agreements with regional states are substantial; the U.K. is the principal military supplier for Oman and Kenya.

There are other ways in which the allies contribute to our combined Southwest Asia efforts. Enroute access, overflight rights, and support by our European and Asian allies are essential. We have stressed these points in numerous meetings with our allies, and, on the whole, have attained considerable understanding. While the U.S. continues to take the lead, allied support has also been forthcoming in defending Western interests in the region. Allied contributions will, of course, cost money and could involve some economic and political complications. The voluntary manner in which these contributions are being made, however, mitigates serious intra-alliance strain. The diversion of military resources from other theaters to Southwest Asia in an emergency means possible substantial diminution of effective strength elsewhere. This is being taken into account in our planning for the Rapid Deployment force, as is European replacement for U.S. forces that might have to be diverted from Europe.

CRS Comment: Owing perhaps to the sensitive nature of this question and ongoing diplomatic exchanges, this response is notably lacking in specifics. The Administration's response does not make clear the extent to which the allies would be expected to contribute forces to the Persian Gulf/Southwest Asia region, while also compensating for a reduced U.S. presence in the alliance theater. The response also does not treat the degree of cooperation/contribution to be expected from Japan and Australia.

In the first paragraph, the Administration states that the allies are considering "...additional forces (combat and support) to compensate for U.S. reinforcement units that may be diverted to that region." The Administration does not identify those countries that might possess surplus forces available for alliance theater employment. In most cases, the NATO allies have designated most of their current front-line units to the NATO theaters

of operation (Central region, Northern and Southern Flanks, corresponding maritime zones). In fact, many of the allies are finding it difficult to maintain current forces in light of domestic constraints. Therefore, if the U.S. had to withdraw forces for non-NATO contingencies, it is unlikely that the allies would contribute substantially more forces than those already committed for NATO missions. For example, the United Kindgom has found that its ability to contribute more naval forces to the NATO Maritime Commands will be nearly impossible in the light of recent decisions to reduce the number of operating surface combatants in the Royal Navy.

The domestic constraint on defense budgets and force employment exists for non-NATO allies, as well. Australia has suggested that it might support a multi-national effort in the Indian Ocean. But, if Australia contributes naval forces to the Indian Ocean theater, then its capability to provide maritime defense for the South Pacific and the homeland will be virtually nil. For Japan, concerns over the deployment of national forces are over-shadowed by a fundamental debate over the allocation of domestic resources to defense. These important non-NATO cases, among others, are not detailed in the Administration response.

The Administration response details the in-theater presence of two allied states; France and the United Kingdom. France has a military presence in the region and the use of port facilities, particularly at Djibouti. The remaining French military facilities are concentrated in the Southwestern Indian Ocean, some distance from the Strait of Hormuz. The Administration does not detail the number of French ships on station in these areas; there is a rotating squadron of approximately 10-14 combatants and support vessels in the region. In the case of the British, the

ability to continue annual deployments to the Indian Ocean will be constrained, in the future, with the recent planned cutbacks in the surface Navy, a point omitted by the Administration.

The Administration chose not to mention the operations undertaken by allies other than France and Britain. Australia is an Indian Ocean littoral state; as a consequence, the Royal Australian Navy has re-deployed some units to Cockburn Sound in anticipation of continued operations in the Indian Ocean. In addition, the Dutch have deployed naval forces through the Indian Ocean and the West Germans have made an initial training cruise in the region. All of these efforts might indicate allied interest in at least a token multi-national commitment to the security of the Gulf and contiguous areas.

The fourth paragraph mentions other measures that allies can undertake to improve on a Western approach to Indian Ocean security. The Administration response mentions that enroute access, overflight rights, and generalized support "are essential". The response, however, does not treat the success of previous U.S. efforts to use these "rights" when earlier crises erupted in the region, nor does it offer any specific appraisal on the past or future utility of access, overflight, or support provided by the allies.

In the final paragraph, the Administration notes that the allied contribution will entail political, economic, and budgetary costs. While the Administration does state that the allied contributions are being made on a voluntary basis, there is no mention of the political conflicts the allies are experiencing in balancing resources for defense and social programs and the problems associated with balanced deployments of limited allied forces for alliance and homeland defense.

Question No. 9: In view of U.S. commitments, military capabilities, regional attitudes, and potential allied contributions, are there other ways of achieving our objectives at lower costs with fewer risks? For example, could alternative approaches such as filling the strategic petroleum reserve, using deep gas and displacing oil in the production of electricity, combined with additional conservation measures diminish requirements for additional military commitments? What other means are available for reducing dependence on Middle Eastern oil, increasing energy supplies, and reducing demand?

CRS Background: In view of U.S. commitments, military capabilities, regional attitudes, and potential allied contributions, are there other ways of achieving our objectives at lower costs with fewer risks, at least with regard to Western dependence on Persian Gulf oil? For example, would reducing U.S. and Western Allies' dependence on Middle Eastern oil diminish our requirements for additional military commitments to the area? Over the next 5-10 years, what specific domestic and international steps could the U.S. take to reduce by 50 percent its dependence on Middle Eastern oil and what priorities would be given to them by the Administration? Does the Administration intend to encourage exploration for new oil sources, for example? What are the military and energy components of the Administration's policy dealing with a sudden supply disruption of Middle Eastern oil coming to the U.S.? How could U.S. energy policy be expanded to better deal with such a contingency? What is the role of the strategic petroleum reserve in Administration planning?

While our Western Allies are gradually reducing their dependence on Middle Eastern oil, has the Administration explored ways to accelerate the process and perhaps directly assist in the effort, such as making special arrangements for future coal supplies from the U.S.? To what extent would the Administration help our Allies find other alternatives to Middle Eastern oil, especially in the event of a sudden supply interruption? Using similar time frames to imple-

ment an energy strategy further reducing oil-dependence, or to deploy a military strategy further enforcing the "Carter Doctrine," what might be the relative costs and benefits of the two different strategies?

State/Defense Answer: There is much that can be done to reduce the risks of dependence on Middle East/Persian Gulf oil. The single most important action which we have taken to reduce demand for imported oil is to allow domestic oil process to rise to world market levels. decontrolling domestic oil prices eliminated the implicit subsidization of oil imports which controls provide. Consistent with this view, President Reagan, as one of his first official acts, terminated remaining controls on domestic oil prices.

This act, allowing the full pass-through of recent and future increases in world oil prices, is producing a dramatic reduction in U.S. demand for oil. Consumers are responding to the higher prices by increasing the efficiency of their oil use, eliminating unnecessary use, and converting to alternative fuels. U.S. oil consumption at the end of July was running at 15.8 million barrels per day, down from 18.5 million b/d as recently as 1979. U.S. oil imports from the Persian Gulf at year-end 1980 were running at only 1.4 million b/d, 70 percent of 1979 levels. Between 1978 and 1981, the share of U.S. total primary energy consumption provided by petroleum products declined from 52.6 percent to 46.1 percent. The share provided by natural gas increased from 28 percent to 31.8 percent and coal's share increased from 19.4 percent to 22.4 percent (1981 figures are estimates).

The commitment to avoid domestic oil price controls also offers the prospect of increased domestic production of oil. It is a startling fact that roughly three-quarters of all Free World commercial oil well drilling rights are currently drilling in U.S. territory.

At the same time that we work to reduce our dependence on imported oil, we must recognize that we will not succeed any time soon in eliminating that dependence completely. This raises the second element of our program to minimize risks of oil import dependence: maintaining preparedness to deal with interruptions in imports. The Administration has adopted an oil supply emergency program containing two major components.

First, the Administration is committed to expeditious filling of the Strategic Petroleum Reserve (SPR) up to a level of 750 million barrels. Under current contracts for rapid additions to the SPR, including those from the recent Mexican agreement, the fill level will surpass 200 million barrels by the end of FY81, more than double last year's level. A large SPR combined with sizable private stocks will enable the United States to reduce substantially harmful effects of supply interruptions.

The second component of our emergency preparedness program is cooperation with the other major Western industrial countries in the International Energy Agency (IEA). Our Western partners have done much already by increasing their indigenous production of oil and natural gas throughout

the 1970's while reducing their consumption of oil significantly. Although much of the decline in oil consumption can be attributed to general slowing of economic growth, a major effort has been undertaken throughout the OECD to increase the efficiency of energy use, reduce oil's share of primary energy consumption, increase indigenous production of alternative energy sources, and switch to coal (providing a boost to U.S. export trade), nuclear power, and natural gas.

It is essential to our collective energy and strategic interests that our Western partners work together closely in managing oil crises. International cooperation can assure that no one country is forced to endure serious compromise of its essential economic, political or security interests as a result of an oil supply interruption.

One of the principal measures available to assure our collective energy security has been the establishment within IEA of a standby international oil sharing system to assist where necessary in a crisis in directing oil to countries which are suffering disproportionately large cutbacks in their oil supplies. The Administration strongly supports the IEA as an instrument for dealing with the problems caused by oil import dependence and will participate fully in its oil sharing system if it is activated. While they can mitigate the problem, these measures cannot eliminate the need for enhanced defensive capabilities, including the projection of U.S. power, in the Persian Gulf region.

CRS Comment: A classic strategic dilemma exists. The industrial democracies are critically dependent on oil from a source which could be threatened by a military superpower possessing formidable geographic advantages. In current circumstances, loss of the oil would create a major crisis for the West while the costs and risks of defeating the military threat appear equally awesome. Logically, a remedial course of action would be either to prepare to defeat/deter the threat or to attempt to escape dependence on oil from the area. The Administration appears committed to the course of military neutralization of the threat. The question inquires into cost effective tradeoffs between the two approaches; can reduced dependence on Persian Gulf oil be secured more effectively than a military guarantee against Soviet seizure. In dealing with the link between energy security and the military buildup in the Gulf, such alternatives would normally be considered in terms of relative

policy flexibility, political risk and economic cost. The Administration's response provides a general description of its current domestic oil production and consumption policy, and its emergency oil supply program which includes filling the Strategic Petroleum Reserve (SPR) and cooperating with the International Energy Agency (IEA) in a severe oil supply disruption. However, the response ignores or dismisses the basic thrust of the question.

Reducing dependence on Persian Gulf oil could, for example, include the following general policy options: 1) broadening U.S. and allied efforts to reduce Persian Gulf oil dependency; 2) Making special arrangements with our Allies for guaranteeing U.S. supplies of coal; 3) promoting international oil and gas production through the World Bank, United Nations, or government-to-government agreement; and 4) fostering greater development of energy production and conservation technology. Such a package of options, like current policy, would have to include a "business as usual" case and a "severe oil disruption" case.

The Administration undoubtedly would like to reduce Western dependence on Persian Gulf oil. But it has not, in its response, formulated a comprehensive approach to Persian Gulf oil employing a mix of political, economic and energy as well as military policy tools. If it has not seriously considered such an approach, then the question arises, why neglect an avenue of such potential importance for U.S. interests? If the Administration's response is indicative of an incomplete policy still in evolution, then a more balanced alternative might warrant serious consideration.

The Administration's response also suggests that there are further questions which could be clarified. For example, over the next 5-10 years, what additional, specific, international steps could

the U.S. take to reduce its dependence on Persian Gulf oil and what priorities would the Administration give them? What are the military components of the Administration's policy dealing with a major oil supply disruption to the U.S. or its Allies?

Question No. 10: In the view of the Administration, would our Western allies be willing to make real and substantial contributions to such alternative approaches to Western vulnerabilities in the region; for example by building their own oil stocks, joining in further conservation and emergency sharing programs, and developing alternative energy sources?

CRS Background: Given the fact that the West European nations and Japan are significantly more dependent on Persian Gulf oil than the United States, does the Administration believe that our allies are in any position to sustain their economies if those supplies are cut off?

Some countries in Western Europe are pursuing active commercial nuclear energy policies as alternative energy sources. Britain, Japan, France and West Germany already possess or are developing sophisticated enrichment, reprocessing and breeder facilities. What is the Reagan Administration's reaction to such developments, and does the current Administration's non-proliferation policy conflict with allied objectives on the use of nuclear energy as an alternative fuel source?

The European nations have developed a different but effective system of industrial stockpiling of petroleum. Does the United States believe the Europeans and Japanese are stockpiling sufficient quantities of petroleum to offset an oil shock? Would the European system of stockpiling be an effective alternative for the United States?

The allies have engaged since 1973 in conservation programs and the development of alternative energy sources. But given their general lack of indigenous fuel resources—oil, natural gas, and coal—they must look outside their territories for energy supplies. One alternative to alleviate some of their dependence on Persian Gulf oil has been to import increasing quantities of Soviet natural gas. How does the Reagan Administration view this alternative? What other sources or alternative suppliers does the United States feel are available to the allies; or more to the point, what else does the United States realistically expect its allies to contribute?

On balance, does the Administration think that the allies would be more willing and able to make non-military than military contributions toward reducing Western vulnerabilities in the region? Are there aspects of European approaches that could be adopted to good effect by the United States?

State/Defense Answer: Our Western allies are making substantial contributions to the enhancement of our collective energy security, along lines parallel to our own. All of them except France are members of the International Energy Agency. We are pursuing a two-pronged strategy for reducing vulnerability to oil supply interruptions in the IEA.

First, with a longer-term focus, we are collaborating in reducing oil import dependence through conservation, increasing efficiency of energy use, increasing indigenous IEA energy production, substitution of alternative fuels, etc. While much of the responsibility for such work rests ultimately in the private sector in the United States, some other IEA governments play a much larger role in energy use decisions in their respective economies. In addition, tax and regulatory policies in the U.S. as well as in other countries heavily influence private sector decisions on energy security. The assigned role of the IEA in this area is to scrutinize the actions and policies of governments affecting energy: to foster exchange of information on successful programs and policies, to organize cooperative efforts in areas such as research and development, and to encourage greter efforts to reduce oil dependence by all members.

Over the past several years, all member countries have registered impressive gains in energy efficiency and in substitution of alternative fuels such as coal and gas for oil There is no question as to the seriousness of the commitment of all IEA member countries to the goal of reducing dependence on imported oil.

Of course, they may differ as to the ideal combination of measures to pursue. For example, this Administration is strongly committed to nuclear energy as a viable option along with other energy sources. Some other countries also have ambitious nuclear development plans extending to development of breeder and recycling technology. We support these. On the other hand, other countries are inclined to pass over nuclear in favor of other energy options. In our view, each country should pursue the energy option most appropriate to its own situation.

At the same time, there always remains the possibility that not all energy options have been adequately explored or all pros and cons taken into account. It is one of the benefits of our energy dialogue with other countries both in the IEA and bilaterally that such omissions can be corrected. For example, the Administration has serious concerns about the proposed Siberia-Western Europe gas pipeline and plans to consult with our Western European allies on the economic, political, security, and energy implications of this proposed project.

The second prong of the IEA program is its emergency system. Participation in the International Energy Agency's emergency system entails three basic obligations. First, each country has committed itself to maintain reserve oil stocks equivalent to at least 90 days of imports (each country retains discretion to decide how to divide responsibility for this stockpiling effort between government and private sectors). Second, each country must maintain the ability to restrain domestic demand for oil up to 10 percent of consumption on an emergency basis. Third, each country must maintain the capability to participate in the emergency oil sharing system. With only a few minor execeptions, we are satisfied that all IEA members meet these requirements and thus are contributing effectively to our collective energy security.

We will continue to work in the IEA to improve our emergency preparedness. Presently, we are exploring with our IEA partners whether some generalized increase in the IEA oil stock commitment from the current 90-days-of-imports level is justified. We are also examining the need and options for cooperative actions to respond to oil supply interruptions which are too small to justify activation of the formal IEA emergency system.

In sum, we are already engaged in close and mutually beneficial cooperation with the other major Western industrial countries aimed at solving our energy problems. Most of them are making contributions to improving our collective energy security comparable to our own.

CRS Comment: The Administration's response to this question reflects the generally shared view that the allies are continuing to exert great efforts to lessen their dependence on imported oil. Important progress has been made by the International Energy Agency (IEA) and the "Big Seven" summit meetings over the last five years in devising ways for industrialized nations to reduce their reliance on oil imported from the Persian Gulf.

The Reagan Administration's attitude toward the Siberian-West European natural gas pipeline illustrates an ambiguity in the Administration's strained energy policy. Unless the Reagan Administration can suggest a feasible alternative to Soviet-supplied natural gas, the European nations will likely proceed with the construction of the pipeline despite protests from the United States on national security grounds. Thus, the Administration's statement that: "In our view, each country should pursue the energy option most appropriate to its own situation," arguably does not tell the full story concerning policy in this area.

ASSISTANT SECRETARY OF STATE
WASHINGTON, D.C. 20520

October 31, 1981

Dear Mr. Chairman:

We thank you for giving the Department of State the opportunity to see your staff's comments on the replies we, in concert with the Department of Defense, provided in September to ten questions from your Committee on U.S. policy in the Persian Gulf. We are surprised by some of the Committee's conclusions and disagree with them. We would therefore appreciate inclusion of our brief clarifying comments below along with the report when it is eventually printed.

Many of the issues raised by those preparing the Committee's comments are indeed basic to everyone's consideration of the situation in the Persian Gulf area. This Administration has repeatedly fashioned political, economic, commercial, energy, and security policies to take account of realities in the Persian Gulf region. As our replies make clear, this Administration is focusing on the whole range of possible threats to regional stability, and to the energy resources there, including not only the threat of direct Soviet aggression but also indirect subversion or intimidation, intra-regional conflicts such as those between Israel and certain Arab states or Iraq and Iran, and recognition that internal disturbances can affect the balance of area stability.

In our response to area threats we are seeking to reinforce our own resources with the cooperation of key friendly states in the area as well as of our world allies. Our various economic and security assistance programs play an important role in gaining such cooperation and in bolstering the stability of our friends against local and intra-regional threats as well as those from outside the region. So do the various efforts we make on a continuing basis in cooperative management of world energy and financial problems. As our responses also noted, we are continuing to give high priority to progress in the Middle East peace process as a key reinforcement of our regional security effort.

The Honorable
Henry S. Reuss,
Chairman,
Joint Economic Committee,
House of Representatives.

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There appears to be some confusion in the use of the word "commitment" as analyzed by the Committee staff. In our reply, particularly to question 4, we have carefully distinguished between "commitments" in the sense of international legal obligations (such as the security commitment contained in the NATO treaty and the provisions for consultation contained in the mutual cooperation agreement with Pakistan) and "commitments" in the sense of firm policy expressions of this and previous administrations in support of the security of the Persian Gulf region and assisting key states there to strengthen their own defenses. Such expressions of resolve to help defend our friends in the Persian Gulf region from aggression are fully consistent with the Administration's intention to comply with all required Constitutional procedures if and as specific measures are needed to carry out that resolve. Such declaratory statements play an important role in our policy of deterrence, alongside the other measures we and our friends are taking, and deterrence has an important part in our strategy for defense of that critical region of the world.

Sincerely yours,

Nicholas A. Veliotes

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Bureau of Near Eastern and
South Asian Affairs

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